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Budget 2004



Responsible and Prudent Financial Management

March 23, 2004

*"Management with integrity.
Canadians deserve no less."*

Ralph Goodale, Minister of Finance
2004 Budget Speech

More Accountable Government for Canadians

Sound fiscal management requires that each tax dollar be spent on the priorities that matter most to Canadians.

Canadians expect nothing less than cost-effective approaches to delivering programs and complete accountability for how and where their taxes are spent. They must know that these tax dollars are being spent wisely.

Budget 2004 demonstrates the Government's commitment to fiscal prudence. The Government is enacting measures to improve expenditure control and efficiency and put in place the financial management and accountability measures that meet the expectations of Canadians.

It will do this by:

- Maintaining a prudent approach to fiscal planning by:
 - Delivering a seventh consecutive balanced budget, maintaining the Government's Contingency Reserve and restoring economic prudence.
 - Continuing to use the Contingency Reserve, if not needed for unforeseen circumstances, to reduce debt.

- Setting a debt-to-gross-domestic-product (GDP) ratio objective of 25 per cent in 10 years.

■ Improving expenditure control and accountability by:

- Securing \$1 billion a year from existing spending to meet Budget 2003 commitments.
- Completing an extensive review of all programs and expenditures.
- Introducing a new plan for strengthened financial management and accountability.

Maintaining a Prudent Approach to Fiscal Planning

Canada was hard hit by a series of economic shocks in 2003, including severe acute respiratory syndrome (SARS), bovine spongiform encephalopathy (BSE), the blackout in Ontario and the rapid appreciation of the Canadian dollar.

But thanks to prudent and sound fiscal management, Canada was the only Group of Seven (G-7) country to record a surplus in 2003, for the second year in a row. The Organisation for Economic Co-operation and Development (OECD) expects Canada will be the only G-7 nation to post a total government surplus again this year. Budget 2004 marks the seventh consecutive year the Government has achieved a balanced budget or better, the first time that has happened since Confederation.

The Contingency Reserve, if not needed for unexpected events will go towards debt reduction each and every year.

This kind of prudence is what enabled us to address some of the extraordinary burdens imposed by SARS and BSE, including \$1 billion in direct assistance to agricultural producers to help offset the severe hardships caused by recent disease outbreaks and sudden drops in farm incomes.

To build on this record of achievement, the Contingency Reserve will be maintained at \$3 billion in 2004-05 and beyond.

During the past six years, the Government has reduced the federal debt by \$52 billion, saving \$3 billion a year in interest payments.

The Government is also restoring economic prudence in its budget planning, at \$1 billion in 2004-05 and 2005-06.

Where Government Revenues Come From 2002-03





With ongoing budget surpluses, the federal debt-to-GDP ratio is expected to fall to 42 per cent in 2003–04 from its peak of 68 per cent in 1995–96. However, to ensure Canada is well prepared to cope with the looming pressures caused by an ageing population, Budget 2004 sets a goal of lowering the federal debt-to-GDP ratio to 25 per cent within 10 years.

Better Expenditure Control

Responsible fiscal management goes beyond being prudent. It requires programs that are cost-effective and meet the priorities of Canadians.

On December 16, 2003, the Government announced immediate measures to control costs so that it could provide \$2 billion in additional health care funding this year to the provinces and territories.

It imposed an immediate freeze on major capital projects and a detailed scrutiny of every remaining expenditure for the rest of the fiscal year.

Savings of \$1 billion

Building on these immediate steps, and consistent with the commitment made in Budget 2003, the government has identified savings of \$1 billion from existing programs and every department's budget in 2004–05 and beyond.

Measures that have already been taken to reach the \$1 billion target include cancelling the political history museum, foregoing VIA Rail's capital expansion, terminating the Sponsorship Program and the National Unity Reserve and reducing advertising programs.

A Comprehensive Spending Review

In addition, the new Expenditure Review Committee (ERC), chaired by the President of the Treasury Board, is conducting a fundamental review of all programs and expenditures.

It will set stringent new standards for every department to ensure spending remains under control and is aligned with the evolving priorities of Canadians. It will also focus on such major activities as government-wide procurement, property management, and information technologies.

Where Your Tax Dollars Go 2002–2003

Direct program spending
\$62.5B or 35.2%

- Subsidies and other transfers (\$20.1B)
- Defence (\$10.8B)
- Crown corporations (\$4.7B)
- Other departments (\$26.8B)

Major transfers to provinces and territories¹
\$30.6B or 17.3%

Major transfers to persons
\$40.2B or 22.6%

- EI benefits (\$14.5B)
- Elderly benefits (\$25.7B)

Surplus (went to debt)
\$7B or 3.9%

Public debt charges
\$37.3B or 21%

¹ Includes equalization, Canada Health and Social Transfer and Territorial Formula Financing.

Within a period of four years, the government expects the ERC process to identify at least \$3 billion annually in savings for new investments in the ever-evolving priorities of Canadians—in health care, learning and innovation, communities, Aboriginal Canadians and the disabled.

Strengthening Financial Management and Accountability

Budget savings will only be meaningful if combined with improved accountability. Recent events have made it clear that the present system must become much more rigorous to achieve the best possible use of taxpayers' money.

A comprehensive package of new measures, under the leadership of the President of the Treasury Board, was announced today. This package is based on the following key accountability measures:

- Re-establishing the Office of the Comptroller General of Canada to oversee all government spending.
- Appointing professionally accredited comptrollers to sign off on new spending in every government department.
- Strengthening internal auditing on a government-wide basis.
- Introducing electronic disclosure of government contracts with only limited exceptions such as national security.
- Implementing new corporate governance rules for Crown corporations and requiring all five-year special audits to be tabled in Parliament.

How Can I Get More Information on Budget 2004?

Information is available on the Internet at www.fin.gc.ca or by phoning:

1 800 O-Canada (1 800 622-6232)
1 800 465-7735 (TTY for the hearing impaired)

You can also obtain copies of this brochure and other budget documents from the:

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